



Billing Code: 3510-33-P

## **DEPARTMENT OF COMMERCE**

### **Bureau of Industry and Security**

**[Docket No. 121114631-2631-01]**

#### **Impact of the Implementation of the Chemical Weapons Convention (CWC) on Commercial Activities Involving “Schedule 1” Chemicals (including Schedule 1 Chemicals produced as Intermediates) through Calendar Year 2012**

**AGENCY:** Bureau of Industry and Security, Commerce.

**ACTION:** Notice of inquiry.

**SUMMARY:** The Bureau of Industry and Security (BIS) is seeking public comments on the impact that implementation of the Chemical Weapons Convention (CWC), through the Chemical Weapons Convention Implementation Act (CWCIA) and the Chemical Weapons Convention Regulations (CWCRCR), has had on commercial activities involving “Schedule 1” chemicals during calendar year 2012. The purpose of this notice of inquiry is to collect information to assist BIS in its preparation of the annual certification to the Congress, which is required under Condition 9

of Senate Resolution 75, April 24, 1997, in which the Senate gave its advice and consent to the ratification of the CWC.

**DATES:** Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION].

**ADDRESSES:** You may submit comments by any of the following methods:

- E-mail: [willard.fisher@bis.doc.gov](mailto:willard.fisher@bis.doc.gov). Include the phrase “Schedule 1 Notice of Inquiry” in the subject line;
- Fax: (202) 482-3355 (Attn: Willard Fisher);
- By mail or delivery to Regulatory Policy Division, Bureau of Industry and Security, U.S. Department of Commerce, Room 2099B, 14th Street and Pennsylvania Avenue, NW, Washington, DC 20230.

**FOR FURTHER INFORMATION CONTACT:** For questions on the Chemical Weapons Convention requirements for “Schedule 1” chemicals, contact Douglas Brown, Treaty Compliance Division, Office of Nonproliferation and Treaty Compliance, Bureau of Industry and Security, U.S. Department of Commerce, Phone: (202) 482-1001. For questions on the submission of comments, contact Willard Fisher, Regulatory Policy Division, Office of Exporter Services, Bureau of Industry and Security, U.S. Department of Commerce, Phone: (202) 482-2440.

**SUPPLEMENTARY INFORMATION:**

## **Background**

In providing its advice and consent to the ratification of the Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and Their Destruction, commonly called the Chemical Weapons Convention (CWC or “the Convention”), the Senate included, in Senate Resolution 75 (S. Res. 75, April 24, 1997), several conditions to its ratification. Condition 9, titled “Protection of Advanced Biotechnology,” calls for the President to certify to Congress on an annual basis that “the legitimate commercial activities and interests of chemical, biotechnology, and pharmaceutical firms in the United States are not being significantly harmed by the limitations of the Convention on access to, and production of, those chemicals and toxins listed in Schedule 1.” On July 8, 2004, President Bush, by Executive Order 13346, delegated his authority to make the annual certification to the Secretary of Commerce.

The CWC is an international arms control treaty that contains certain verification provisions. In order to implement these verification provisions, the CWC established the Organization for the Prohibition of Chemical Weapons (OPCW). The CWC imposes certain obligations on countries that have ratified the Convention (i.e., States Parties), among which are the enactment of legislation to prohibit the production, storage, and use of chemical weapons, and the establishment of a National Authority to serve as the national focal point for effective liaison with the OPCW and other States Parties. The CWC also requires each State Party to implement a comprehensive data declaration and inspection regime to provide transparency and to verify

that both the public and private sectors of the State Party are not engaged in activities prohibited under the CWC.

“Schedule 1” chemicals consist of those toxic chemicals and precursors set forth in the CWC “Annex on Chemicals” and in Supplement No. 1 to part 712 of the Chemical Weapons Convention Regulations (CWCR) (15 CFR parts 710-722). The CWC identified these toxic chemicals and precursors as posing a high risk to the object and purpose of the Convention.

The CWC (Part VI of the “Verification Annex”) restricts the production of “Schedule 1” chemicals for protective purposes to two facilities per State Party: a single small-scale facility (SSSF) and a facility for production in quantities not exceeding 10 kg per year. The CWC Article-by-Article Analysis submitted to the Senate in Treaty Doc. 103-21 defined the term “protective purposes” to mean “used for determining the adequacy of defense equipment and measures.” Consistent with this definition and as authorized by Presidential Decision Directive (PDD) 70 (December 17, 1999), which specifies agency and departmental responsibilities as part of the U.S. implementation of the CWC, the Department of Defense (DOD) was assigned the responsibility to operate these two facilities, thereby precluding commercial production of “Schedule 1” chemicals for protective purposes in the United States. The assignment of responsibility to DOD did not establish any limitations on “Schedule 1” chemical activities that are not prohibited by the CWC. However, the Department of Defense maintains strict controls on “Schedule 1” chemicals produced at its facilities in order to ensure the accountability and proper use of such chemicals, consistent with the object and purpose of the Convention.

The provisions of the CWC that affect commercial activities involving “Schedule 1” chemicals are implemented in the CWCR (see 15 CFR 712) and in the Export Administration Regulations (EAR) (see 15 CFR 742.18 and 15 CFR 745), both of which are administered by the Bureau of Industry and Security (BIS). Pursuant to CWC requirements, the CWCR restrict commercial production of “Schedule 1” chemicals to research, medical, or pharmaceutical purposes (commercial production for “protective purposes” is precluded, as described above). The CWCR also contain other requirements and prohibitions that apply to “Schedule 1” chemicals and/or “Schedule 1” facilities. Specifically, the CWCR:

- (1) Prohibit the import of “Schedule 1” chemicals from States not Party to the Convention (15 CFR 712.2(b));
- (2) Require annual declarations by certain facilities engaged in the production of “Schedule 1” chemicals in excess of 100 grams aggregate per calendar year (i.e., declared “Schedule 1” facilities) for purposes not prohibited by the Convention (15 CFR 712.5(a)(1) and (a)(2));
- (3) Require government approval of “declared Schedule 1” facilities (15 CFR 712.5(f));
- (4) Provide that “declared Schedule 1” facilities are subject to initial and routine inspection by the Organization for the Prohibition of Chemical Weapons (15 CFR 712.5(e) and 716.1(b)(1));
- (5) Require 200 days advance notification of establishment of new “Schedule 1” production facilities producing greater than 100 grams aggregate of “Schedule 1” chemicals per calendar year (15 CFR 712.4);
- (6) Require advance notification and annual reporting of all imports and exports of

“Schedule 1” chemicals to, or from, other States Parties to the Convention (15 CFR 712.6, 742.18(a)(1) and 745.1); and

(7) Prohibit the export of “Schedule 1” chemicals to States not Party to the Convention (15 CFR 742.18(a)(1) and (b)(1)(ii)).

For purposes of the CWCR (see 15 CFR 710.1), “production of a Schedule 1 chemical” means the formation of “Schedule 1” chemicals through chemical synthesis, as well as processing to extract and isolate “Schedule 1” chemicals. Such production is understood, for CWCR declaration purposes, to include intermediates, by-products, or waste products that are produced and consumed within a defined chemical manufacturing sequence, where such intermediates, by-products, or waste products are chemically stable and therefore exist for a sufficient time to make isolation from the manufacturing stream possible, but where, under normal or design operating conditions, isolation does not occur.

### **Request for Comments**

In order to assist in determining whether the legitimate commercial activities and interests of chemical, biotechnology, and pharmaceutical firms in the United States are significantly harmed by the limitations of the Convention on access to, and production of, “Schedule 1” chemicals as described in this notice, BIS is seeking public comments on any effects that implementation of the Chemical Weapons Convention, through the Chemical Weapons Convention Implementation Act and the Chemical Weapons Convention Regulations, has had on commercial activities involving “Schedule 1” chemicals during calendar year 2012. To allow BIS to properly evaluate

the significance of any harm to commercial activities involving “Schedule 1” chemicals, public comments submitted in response to this notice of inquiry should include both a quantitative and qualitative assessment of the impact of the CWC on such activities.

### **Submission of Comments**

All comments must be submitted to one of the addresses indicated in this notice. The Department requires that all comments be submitted in written form.

The Department encourages interested persons who wish to comment to do so at the earliest possible time. The period for submission of comments will close on [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION]. The Department will consider all comments received before the close of the comment period. Comments received after the end of the comment period will be considered if possible, but their consideration cannot be assured. The Department will not accept comments accompanied by a request that a part or all of the material be treated confidentially because of its business proprietary nature or for any other reason. The Department will return such comments and materials to the persons submitting the comments and will not consider them. All comments submitted in response to this notice will be a matter of public record and will be available for public inspection and copying.

The Office of Administration, Bureau of Industry and Security, U.S. Department of Commerce, displays public comments on the BIS Freedom of Information Act (FOIA) web site at <http://www.bis.doc.gov/foia>. This office does not maintain a separate public inspection facility.

If you have technical difficulties accessing this web site, please call BIS's Office of Administration, at (202) 482-1093, for assistance.

DATED: December 12, 2012

Kevin J. Wolf

Assistant Secretary

for Export Administration

[FR Doc. 2012-30480 Filed 12/18/2012 at 8:45 am; Publication Date: 12/19/2012]